

The Real Truth Behind Revenue Diversity

THE FIRST STEP TO
CREATING A FULL FUNDING
MODEL

Agenda for Today

1. Concepts of diversification and the Nonprofit Business Model
2. Terminology and Definitions
3. A Real Example
4. How to build your A/R matrix
5. Tying infrastructure capabilities to the optimal funding model
6. Q&A

Poll

What are your 3 largest revenue sources by category?

Foundation

Government

Individuals

Corporate

Earned

Endowment

Poll

What are the most reliable types of revenue you have? Pick 2

Foundation

Government

Individuals

Corporate

Earned

Endowment

Nonprofit Business Model

In 2009, 16% of foundations gave core support.

Today 12 years later, that number has increased to about a 1/3.



WHAT KEY QUESTIONS WILL YOU ANSWER?

1. Is income sufficiently diversified for our type of business model?
2. Are there any financial risks present based on the income sources?
3. Do we have the sufficient infrastructure to keep up with maximizing our efforts and keeping up with compliance?
4. Can we predict most revenues every year to to reinforce our budgeting accuracy?

Autonomy & Reliability

Sustainable revenue balances 2 goals

Goal #1

Create reliable income/revenues to cover operating costs and other unfunded expenses

Goal #2

Ensure some level of autonomy connected to revenues so that the organization can innovate and adapt to its changing environment.

RELIABILITY AND AUTONOMY MATRIX

HIGH 1	HIGH/LOW	HIGHMEDIUM	HIGH/HIGH
MEDIUM 2	MEDIUM/LOW	MEDIUM/MEDIUM	MEDIUM/HIGH
LOW 3	LOW/LOW	LOW/MEDIUM	LOW/HIGH
	Low 3	MEDIUM 2	HIGH 1

RELIABILITY

AUTONOMY

Typical types of revenues

Foundation/Gov't GOS

Foundation/Gov't Project Grants

Corporate Contributions

Corporate Sponsorships

Federated Campaigns (UW)

Ongoing Gov't Contracts

Endowment (R/U)

Membership

Interest Income

Individual Gifts and Contributions

Rent (occupant)

Fee for Services

Sales (Retail/Food/Merch/Adv)

Special Events

Facility Rentals

Definitions

RELIABLE
MONEY: We
can count on it

High, Medium
& Low

Typical types of RELIABLE revenues

High reliability: Small to medium-sized individual contributions, endowments, memberships, United Way support, rental income, advertising, interest income.

Medium reliability: Fees for services, ongoing government contracts, third-party reimbursements, major individual contributions, corporate charitable contributions, sales, tuition, special events.

Low reliability: Government project grants, foundation project or GOS grants, corporate sponsorships.

Definitions

Autonomy:
Money we
control

High,
Medium &
Low

Typical types of Autonomous revenues

High autonomy: small to medium-sized individual contributions, fees for services, all general operating support from donors, unrestricted endowments, memberships, interest income.

Medium autonomy: major individual contributions, some fee for services, corporate charitable contributions, sales, tuition, galas & special events, rentals.

Low autonomy: Third-party reimbursements, government project grants, ongoing government contracts, foundation project grants, United Way support.

Analysis

RELIABILITY - WE CAN COUNT ON
IT; LITTLE FLUCTUATION

Endowment

Membership

Rental Income

Federated Funding (depends on locale)

Annual Gift campaigns

AUTONOMY-WE CAN CONTROL IT

Unrestricted/Board Restricted
Endowment

GOS

Earned Income (some)

Membership

Annual Gifts

Matrix

RELIABILITY	HIGH 1	RESTRICTED ENDOWMENT	FEDERATED CAMPAIGNS (UW) FEE FOR SERVICES	ENDOWMENT MEMBERSHIP INTEREST INCOME SM/MED ANNUAL CONTRIBUTIONS RENT BOARD OF DIRECTORS GIFTS
	MEDIUM 2	MAJOR GIFTS - R ONGOING GOV'T CONTRACTS	CORPORATE CONTRIBUTIONS CORPORATE SPONSORSHIPS	SALES, TUITION SPECIAL EVENTS FACILITY RENTALS MAJOR GIFTS - R
	LOW 3	FNDN PROJECT SUPPORT GOV'T PROJECT GRANTS	3RD PARTY REIMBURSEMENTS	FOUNDATION GOS
		Low 3	MEDIUM 2	HIGH 1
			AUTONOMY	

EXAMPLES

THE CRAFT ORGANIZATION

TOTAL 3 YEARS OF REVENUE- 2017 through 2019

RISK MATRIX

UNRESTRICTED

HIGH AUTONOMY

ORGANIZATIONAL AUTONOMY

LOW AUTONOMY

HIGH RELIABILITY - NO RISK

+/- RELIABLE - SOME RISK

LOW RELIABILITY - HIGH RISK

Endowment \$265,789

Membership - \$30,030

Sales - \$485,566

Board Donations - \$38,650

Sm-mid contributions (up to \$2,500) \$235,273

Fundraisers & Special Events- \$116,552

Major Donors (>\$2,500) \$386,530

ITE Endowment \$179,791

GOS Grants - \$ 1,086,431

Program Fees: \$69,699

Government GOS Grants: \$40,448

Corporate Charitable Contributions: \$30,286

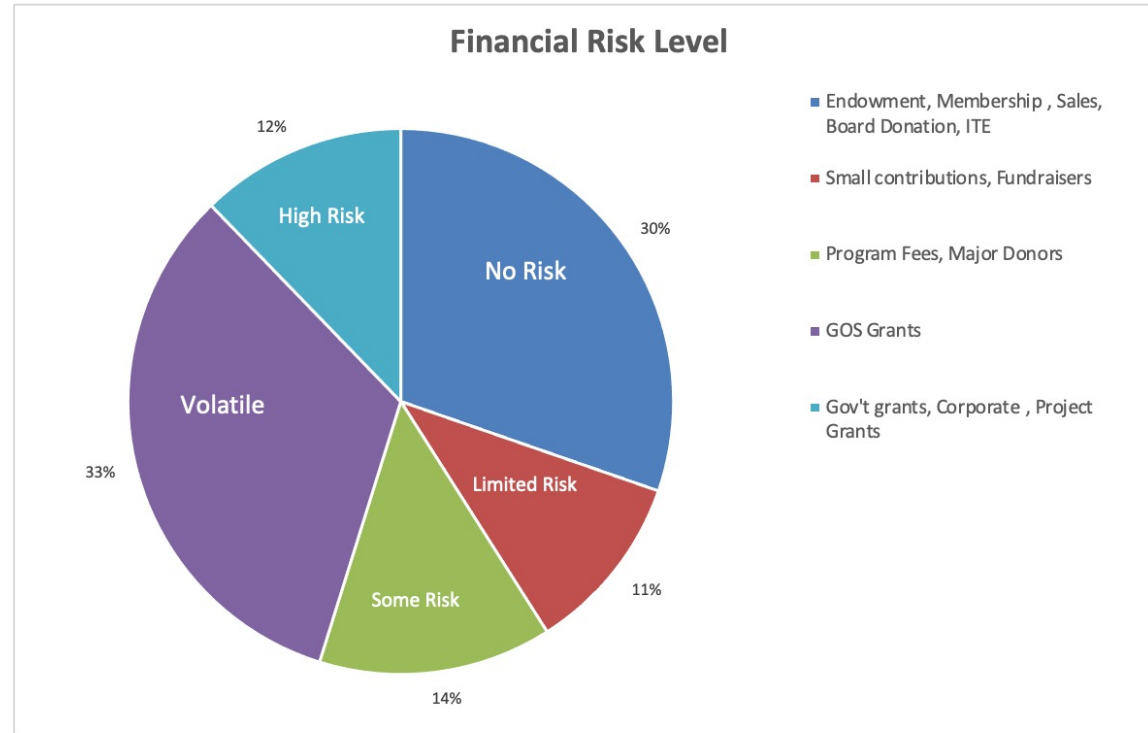
Project Grants (Donor Res.)\$332,953

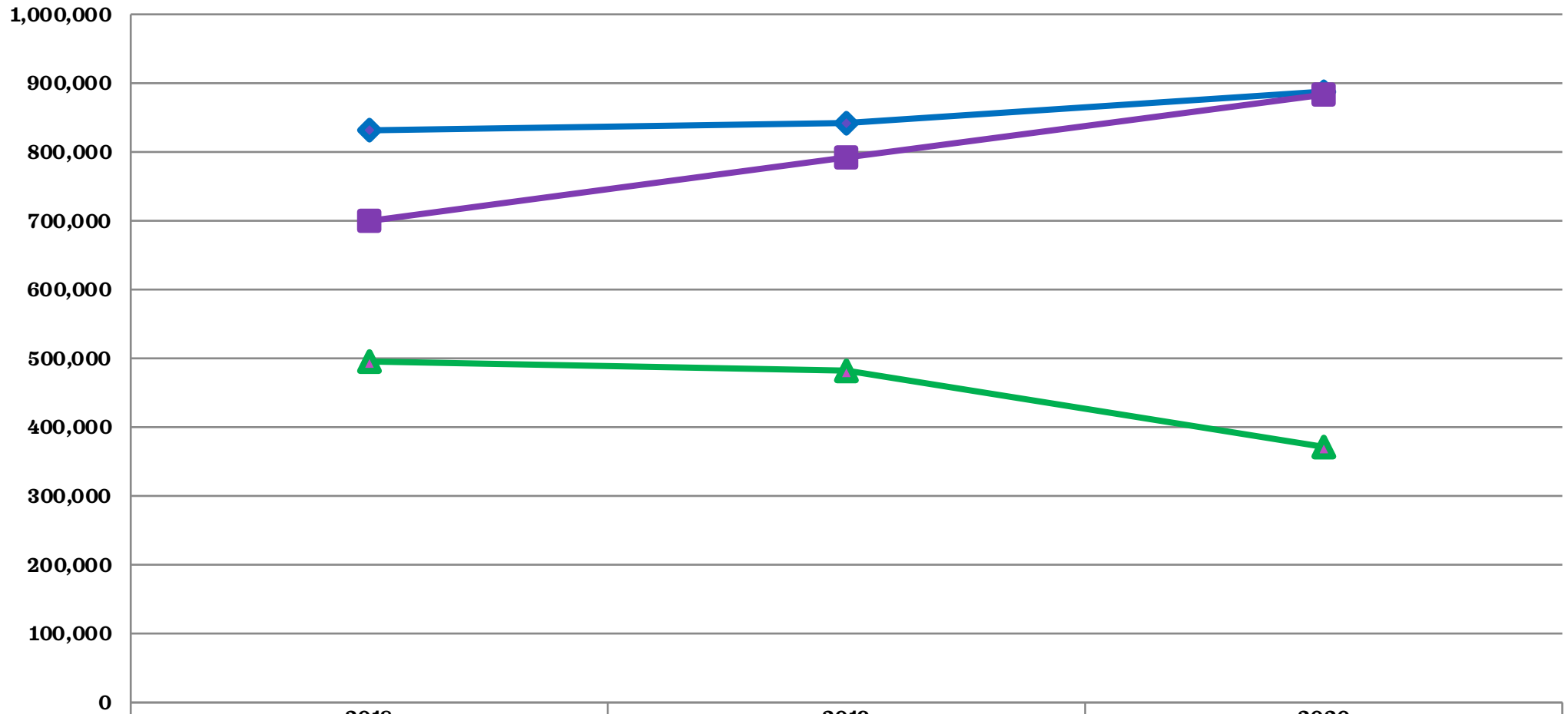
RESTRICTED

RELIABILITY OF FUNDS

3 yrs 2018-2020

No Risk	30%	\$ 999,826.00	Endowment, Membership , Sales, Board Donation, ITE
Limited	11%	\$ 351,825.00	Small contributions, Fundraisers
Some Risk	14%	\$ 456,229.00	Program Fees, Major Donors
Volatile	33%	\$ 1,086,431.00	GOS Grants
High Risk	12%	\$ 403,687.00	Gov't grants, Corporate , Project Grants
	100%	\$ 3,297,998.00	





	2018	2019	2020
High Reliability	831450.56	842050.59	887755.56
Mid Reliability	699804.38	791961.16	883254.37
Low Reliability	495545.62	482116.25	371472.75



Getting Started

CREATING YOUR OWN MATRIX

RELIABILITY / AUTONOMY MATRIX WORKSHEET						
FOR [Organization Name]		YEAR				
		% of revenue	Reliability	Reliability Score	Autonomy	Autonomy Score
a	Ongoing Government Contracts		2	0	3	0
b	New Government Grants		3	0	3	0
c	Small - Medium Individual Contributions/Memberships		1	0	1	0
d	Interest/Endowment/Royalties		1	0	1	0
e	Corporate Contributions		2	0	2	0
f	United Way/Federated Funds		1	0	3	0
g	Major Individual Contributions		2	0	2	0
h	Fees for Service		2	0	1	0
i	Rent/Advertising		2	0	1	0
j	Corporate Sponsorships		3	0	2	0
k	Foundation Grants (operating)		3	0	1	0
l	Foundation Grants (project)		3	0	3	0
m	Other		?		?	
n	Other		?		?	
o	Other		?		?	
	Index (Total)	0%		0		0
		Do not Exceed 100%				
				1.0 -1.6	High	
				1.6 - 2.3	Medium	
				2.3 - 3.0	Low	

RELIABILITY

HIGH 1	HIGH/LOW	HIGHMEDIUM	HIGH/HIGH
MEDIUM 2	MEDIUM/LOW	MEDIUM/MEDIUM	MEDIUM/HIGH
LOW 3	LOW/LOW	LOW/MEDIUM	LOW/HIGH
	Low 3	MEDIUM 2	HIGH 1

AUTONOMY

Analysis



Figure 1

Tying infrastructure
capabilities to the optimal
funding model

For Next Week

Step 1. Fill out the spreadsheet

Step 2. Transfer revenues into the appropriate quadrant on the Matrix

Step 3. Analyze the level of risk and consider where you may need to shift revenue strategy.

Step 4. What would it take to make this shift?

Key Questions from Analysis

1. Is income sufficiently diversified for our type of business model?
2. Are there any financial risks present based on the income sources?
3. Do we have the sufficient infrastructure to keep up with maximizing our efforts and keeping up with compliance?